

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6255

BILL NUMBER: HB 1023

NOTE PREPARED: Nov 15, 2010

BILL AMENDED:

SUBJECT: Insurance Proceeds Set Aside.

FIRST AUTHOR: Rep. Lehman

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill provides that the law requiring an insurer to set aside for local government part of the proceeds from insurance covering a building damaged by a fire or explosion applies to a consolidated city and its county and to any county or municipality that has adopted the unsafe building law by ordinance. (Currently, the insurance proceeds set-aside law applies only to certain cities.)

The bill revises current language concerning an insurer's duty to provide notice about the insurance covering a building to the governmental unit in which the building is located. It also repeals a definition rendered unnecessary by the act.

Effective Date: July 1, 2011.

Explanation of State Expenditures: *Department of Insurance (DOI).* The bill could increase administrative expenses for the DOI to the extent that the DOI modifies rules, guidelines, or publications to incorporate the new requirements. Additionally, violators may be subject to a hearing by the Commissioner of Insurance. The DOI should be able to handle any increases in administrative costs given its existing level of resources.

Explanation of State Revenues: Under current law, insurance companies that fail to notify the enforcement authority of a damaged building in a qualifying city may be subject to license revocation and potential court action. If this bill increases the number of insurance companies found in noncompliance, state revenue will increase from civil court fees.

The DOI reports that when relief for noncompliance is sought through court action, the insurance company, if found to be in noncompliance, is responsible for civil court fees. The DOI would pay for civil court fees

only if a defendant insurance company is not found to be in noncompliance. Funding to pay for these civil court fees would come from the Department of Insurance Fund.

Court Fee Revenue: If additional civil actions occur and court fees are collected, revenue to the state General Fund may increase. A civil costs fee of \$100 would be assessed when a civil case is filed, 70% of which would be deposited in the state General Fund if the case is filed in a court of record or 55% if the case is filed in a city or town court. In addition, some or all of the document storage fee (\$2), automated record keeping fee (\$7), judicial salaries fee (\$18), public defense administration fee (\$3), court administration fee (\$5), and the judicial insurance adjustment fee (\$1) are deposited into the state General Fund. Additional fees may be collected at the discretion of the judge and depending upon the particular type of case.

Explanation of Local Expenditures:

Background Information: By current statute, if the DOI takes action against an insurer who conducts business contrary to law (or in an unsafe or unauthorized manner), the action is required to be filed in the Marion County Circuit Court.

Explanation of Local Revenues: This bill requires insurance companies to notify certain city, town, or county enforcement authorities if a covered building is damaged by fire or explosion. The bill could result in units receiving insurance proceeds to recoup certain costs incurred for demolition or rehabilitation of damages to a building or structure caused by a fire or explosion. Current notification requirements only apply to affected buildings in the cities of Gary and Hammond. The specific impact will depend on the number and nature of damages caused by fire or explosions. The bill applies to damage occurring by fire or explosion after June 30, 2011.

Court Fee Revenue: If this bill increases the number of civil actions taken against insurance companies that are found to be in noncompliance with the requirements of the bill, the Marion County general fund would receive 30% of the \$100 civil costs fee that is assessed in a court of record. Additional fees may be collected at the discretion of the judge and depending upon the particular type of case.

State Agencies Affected: DOI.

Local Agencies Affected: Units which have adopted unsafe building laws.

Information Sources: Census Data, Division of State Court Administration.

Fiscal Analyst: Bill Brumbach, 232-9559